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OFFICE OF REPORTS AND ESTIMATES, CIA
FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 100
10 MAY to 16 MAY 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Probable Philippine and Thai reaction to US proposals to control gun-smuggling in the Far East (where Indochina is the major market) are estimated to be cool (p. 2).

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Korea's President Rhee is continuing maneuvers designed to favor the pro-administration GKNP in the forthcoming National Assembly elections (p. 3).

Top news from China, this week, is the Nationalists' abandonment of their vital position in the Chou Shan archipelago without a fight (p. 4). Meanwhile, it is anticipated that Peiping will cold-shoulder the recent US offer of famine relief (p. 3).

The new Premier of Bao Dai's Vietnamese regime, in his inaugural speech, has hewed to the French line and emphasized his support for the Cochinchinese "separatist" clique (p. 5).

NEWS NOTES

Few US detainees remain in China...One CCP envoy for two Western posts...Disputed Hong Kong planes immobilized...New strategy for Malaya...Promote drive begins...KNIL troops pulled out of Ambon.

The marginal notations used in succeeding sections of this Weekly ("A", "B", or "C") indicate the importance of the items in D/FE opinion with "A" representing the most important.

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SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

GENERAL

Control of arms smuggling--Reports from US missions in Asia indicate that there would be only slight local interest in a US-sponsored international conference to discuss coordinated control of the active gun-running in progress in that area. Most of the countries appear individually to favor controls, however, and future bilateral discussions may prove more productive. "B"

In the Philippines, a major source of arms for the illicit trade, cooperation with a general program to check gun-running seems improbable, since Government officials themselves are involved. Nevertheless, it is believed that a worthwhile attempt to control arms movements would be possible, provided the US participated in sea and air patrols.

Thailand, one of the chief profiteers in the current traffic, probably would not participate in a formal conference. Moreover, the Thai Government's recognition of Bao Dai has not been generally popular and there is a possibility of resistance to any strict enforcement of measures to stop arms smuggling into Vietnam. In any case, since Indochina appears to be the main market for illicit arms and Communist China -- a major source of arms for Vietnam in the future -- would not be represented at the proposed conference, the usefulness of Thai cooperation appears doubtful. 25X6

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KOREA

Pre-election maneuvers continue--Despite the discomfiture of reform-minded acting Prime Minister Sihm Sungmo, President Rhee has persisted in his political manipulations, aimed at the defeat of the opposition Democratic Nationalist Party (DNP) in the 30 May elections. Apparently as a result of influence by Home Minister Paek, Yoon Chiyong and Louise Yim, leaders of the pro-administration Great Korea Nationalist Party (GKNP), Rhee last week replaced two DNP cabinet members, the minister of Commerce & Industry, and the minister of Transportation, with two loyal GKNP men. Further indications of Rhee's intentions are seen in the appointment of former Minister of Education Ahn Hosang (an open admirer of Hitler Youth techniques) to the acting chairmanship of the "non-political" but well-organized Taehan Youth Corps, and by his continued juggling of police officials. This latter move [redacted] is intended to nullify a suspected pro-DNP orientation on the part of the present police organization. Although, to date, harrassment of DNP Assembly candidates has been kept to a minimum, Rhee's maneuvering may well have a decisive effect on the outcome of the election.

"B"

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CHINA

Peiping cold to US relief proposal--There is little or no prospect of a favorable Chinese Communist response to the US offer of \$8 million for famine relief. The Chinese Communist Party's well-demonstrated aim of reducing and finally eliminating US influence in China affords no ground for believing that Peiping would admit US relief workers or permit the US source of relief supplies to become public knowledge. The Communists' refusal to cooperate in the UNICEF program in North China during 1949, as well as recent Peiping broadcasts denouncing the US relief proposal, indicate that fidelity to the Soviet line remains a stronger consideration for China's new regime than the immediate welfare of the Chinese people.

"B"

The Stalinist leadership of the Chinese Communist Party has often stated explicitly that "genuine friendly aid" can come only from the Soviet bloc and that ostensibly benevolent proposals by the West are guileful efforts to "drive a wedge" between China and the USSR, aimed at ultimate Western "control" of China. The US aid proposal will not tempt the Party leadership to compromise this political principle since (1) Communist

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control of China is not threatened by the famine, (2) the proposed relief could not be delivered before the June harvest has alleviated the famine, and (3) the Party intends to exploit the famine, itself, as an event calling mainly for "self-help", and thus diminish any popular expectations of gratuitous foreign assistance to China from either the West or the USSR.

Communist propaganda can be expected to assert that the US proposal is hypocritical, emphasizing that five times as much aid is provided for the Nationalists who, by blockading ports and bombing coastal cities, are aggravating the misery which the US proposal would relieve. Despite such propaganda attacks, however, the popular reaction will be to contrast the US proposal favorably with widely credited rumors that large quantities of grain have been shipped out of Manchuria to the USSR, despite the famine in China proper. Thus, the US proposal probably will contribute to the decline of Communist prestige and may even increase disaffection on the part of "nationalist" elements within the Party itself.

Nationalists withdraw from the Chou Shans--General CHOU-jou, Chief of the Chinese Nationalist General Staff, announced on 16 May that Nationalist troops, naval and air units stationed on the Chou Shan Islands have been withdrawn to Taiwan. The evacuation, which involved the transfer of an alleged 150,000 troops together with some civilians and large quantities of supplies, was stated to have commenced during the night of 13 May and to have been successfully completed two nights later. According to unconfirmed press reports, Quemoy (Chin-men) Island, opposite Amoy, has also been evacuated.

"A"

On Taiwan, meanwhile, Generalissimo CHIANG Kai-shek added a further note of pessimism to the gloomy Nationalist scene by declaring his willingness to die in defense of his stronghold, and adding that he would have sacrificed himself at Nanking if he had not been urged to withdraw from the government by "weak-willed elements influenced by Communists".

Although the transfer of forces from the Chou Shans will numerically strengthen the defenses of Taiwan, this advantage will probably be outweighed both by the negative effects of the evacuation on Nationalist morale, and by the curtailment of the Shanghai blockade. It will become apparent to civilians as well as to the armed forces on Taiwan that the island is now the next major Communist objective. Psychological tension will increase in anticipation of air attacks, commando raids, Communist infiltration and, finally, the long promised Communist assault. Generalissimo CHIANG's self-sacrificial statement carries a note of ultimate doom, when it is contrasted with the "fight-to-the-last-man" utterances which preceded announcement of the Nationalist withdrawal from the Chou Shans.

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INDOCHINA

Huu's pitching--Emphasis on adherence to the French Union, "respect for law and order," and the banishment of "every trace of exclusive and sterile chauvinism," together with the significant omission of any reference to Vietnamese independence, present or future, marked the utterances of Bao Dai's new Premier, Tran Van Huu, on the occasion of his government's inauguration. Huu's keynote speech, which went on to stress the duty of children to parents and state and to warn the still-numerous class of "fence-sitters" that by failing to rally to Bao Dai they would be regarded as the accomplices of Communism, was no surprise to those who have regarded the new Premier, a wealthy Cochinchinese landowner and naturalized French citizen, as more pro-French than pro-Vietnamese. Huu's speech also dealt a blow to the concept of Vietnamese territorial unity by declaring that the three "kys" (Tonkin, Annam, and Cochinchina) would be accorded a "great degree of administrative decentralization." This statement, taken together with Huu's recent abolishment of the Ministry of the Interior, spells revival of the old "separatist" maneuver, long fostered by powerful French interests in Cochinchina and their indigenous supporters. "A"

Perhaps in anticipation of popular hostility toward his regime, Huu used his inaugural speech to warn that those "abusing freedom of the press" will find themselves "incapacitated." In this connection, it is noted that a decree issued by the Vietnamese prefect of Saigon, the capital of Cochinchina, while Huu was Cochinchinese Governor, prohibits all public meetings and requires that advance notice be given of all private meetings of more than 20 persons.

The roster of Huu's new cabinet has already undergone some revision since its announcement a week ago. In addition to the premiership, Huu will hold the portfolios of Defense and Foreign Affairs. Newly-announced in the role of Under-Secretary of Foreign Affairs is Do Hung, who served for many years with the French Civil Service in Indochina.

Nguyen Xuan Chu, a prominent Tonkinese Catholic who was announced as one of Huu's original appointees to the cabinet, has refused the honor, thus reducing Tonkinese representation to two members. The resultant strong Cochinchinese representation in the Government will tend to favor the position of the French-oriented "separatists". While the Premier's dismissal of nationalist aims in favor of "efficiency and stability" will doubtless expedite the handling of US economic and military aid, the frustration of Vietnamese nationalism may keep US aid from having its intended effect.

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NEWSNOTES

All US officials in Communist China were among the 154 US nationals who were evacuated recently, and only a dozen or so Americans now remain in China involuntarily, among them "key businessmen" in Shanghai, some CAT personnel in South China, and a ship's captain presently detained in Tientsin. Although some observers were pleasantly surprised by the Communists' failure to retain a few US officials for espionage "trials", Peiping's cooperation in the evacuation program -- as well as the recent release of Smith and Bender -- probably should be regarded not as a conciliatory gesture toward the US but as a routine step in the process of reducing and finally eliminating US influence in China. Of the estimated 2,000 US nationals remaining voluntarily in China, many may be expected to attempt to leave within the next year or two as a result of intensified discrimination against them.

Both Denmark and Sweden will share General KENG Piao, as the diplomatic representative from Peiping. Although such doubling-up is not uncommon, the Communists may also feel that they have too few trained and reliable diplomats to permit wasting any in countries with which the regime will have limited political and economic dealings. An additional factor in Peiping's decision is the cost of maintaining representatives abroad, and it is possible that General KENG will be accredited to Norway as well, when the Chinese Communists establish diplomatic relations with that country.

The 71 civil aircraft, ownership of which has been the subject of dispute over the past several months, will be impounded by an order of the Hong Kong Government until the issue is finally resolved. The Chinese Communist management of CNAC-CATC is presently in the process of removing wings and instruments from the planes, as an "anti-typhoon damage" measure, until ownership is definitely established. This move, which prevents immediate Communist use of the planes, obviously serves the interests of the US Government, which had been pressuring both London and Hong Kong for a reversal of a lower court decision which substantiated Chinese Communist possession of the planes.

A new anti-terrorist strategy to be employed in Malaya may have been revealed by a press item which is presently being denied. The rumored campaign calls for a systematic state-by-state clearing of Malaya's terrorists, starting early in June. Reoccupation of the cleared areas would be denied to the terrorists by a re-organized police and administrative system and Johore would be the first state to be cleared. Meanwhile, British military forces in Malaya have been strengthened recently by the addition of units from Hong Kong and the Middle East which should somewhat increase the effectiveness of military operations.

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The drive on Prome, "capital" of the Burmese Communists, began on 12 May. The campaign apparently began sooner than originally planned in order to take advantage of the growing anti-Communist activities of "People's Volunteer Organization" (PVO) elements, on the increase since the Communist-PVO coalition was violently broken last March. Early reports indicate that Government forces are making steady progress against light resistance, while the Communists are apparently withdrawing into the hills rather than giving battle. Under these circumstances, Prome may soon fall to the Burmese Government. Government operations against remnant Communist forces, thereafter, however, will be severely curtailed by the monsoons, while Government positions and lines of communication will be subject to Communist guerrilla attacks.

The Netherlands military high command has removed some 1,100 of the original 1,200 KNIL troops on Ambon, in an effort to disengage itself from the South Moluccan "independence" movement in East Indonesia. Early reports indicate all the Dutch and Eurasian officers of the Ambon KNIL unit were among those evacuated. Having thus ostensibly eliminated any Dutch military influence from the Moluccas, the Netherlands is now leaving solution of the Ambon revolt to the USI. The troop withdrawal was voluntary, however, and it can be presumed that the units which remain at Ambon are those who initially perpetrated the uprising. These remaining KNIL regulars are said to be backed by some 8,000 Ambonese ex-servicemen, so that the forces still available to the dissidents possess a considerable potential for defence of Ambon against the USI.

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